

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1503
99TH GENERAL ASSEMBLY

4511H.02C

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 620, RSMo, by adding thereto one new section relating to small business loans for veterans.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 620, RSMo, is amended by adding thereto one new section, to be
2 known as section 620.3250, to read as follows:

**620.3250. 1. The department is authorized to issue state guarantees to lenders for
2 loans to veteran-owned small businesses for the general corporate purposes of those
3 veteran-owned small businesses. Lenders and applicants shall have the following
4 responsibilities:**

5 **(1) Lenders shall be responsible for applying for the state guarantees on the form
6 provided by the department, certifying that the application and any other documents
7 submitted are true and correct, and paying an administrative fee as determined by the
8 department; and**

9 **(2) The applicant shall be responsible for paying fees or charges involved in
10 recording mortgages, releases, and financing statements, and any other similar fees or
11 charges as the department may require.**

12 **2. The application shall, at a minimum, contain the name, address, present credit
13 and financial information including, but not limited to, cash flow statements, financial
14 statements, and balance sheets of the veteran-owned small business; any other information
15 pertinent to the application; and the collateral to be used to secure the state guarantee.**

16 **3. In addition to the requirements in subsections 1 and 2 of this section, in order to
17 be eligible for this program an applicant shall:**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 **(1) Be an honorably discharged veteran and a Missouri resident, agreeing to locate**
19 **his or her business and the majority of its employees in Missouri for a minimum of three**
20 **years;**

21 **(2) Complete an approved boots-to-business program; and**

22 **(3) Have a business plan that is created according to department rules and has been**
23 **approved by the department.**

24 **4. Upon department approval for the state-guaranteed loan, the applicant will be**
25 **assigned a mentor for the three hundred sixty five days following the date of approval. The**
26 **applicant shall meet with his or her mentor at least once every ninety days.**

27 **5. The lender shall agree to charge an interest rate, which may vary, on the loan**
28 **that the department determines to be below the market rate of interest generally available**
29 **to the borrower. If both the lender and applicant agree, the interest rate on the loan**
30 **subject to a state guarantee may be converted to a fixed interest rate at any time during the**
31 **term of the loan. The following shall apply to all loans guaranteed by the state under this**
32 **section:**

33 **(1) The release of funds to the applicant shall be in a manner consistent with**
34 **department rules;**

35 **(2) No state guarantee provided under this section shall exceed five hundred**
36 **thousand dollars per qualified veteran-owned small business or exceed a term of fifteen**
37 **years;**

38 **(3) Any state guarantee provided under this section shall be subject to an annual**
39 **review and renewal by the lender and the department; provided that, only one such state**
40 **guarantee shall be made per qualified veteran-owned small business, but additional state**
41 **guarantees may be made for the purpose of expansion of projects financed in part by a**
42 **previously issued state guarantee;**

43 **(4) No state guarantee shall be revoked by the department without a ninety-day**
44 **notice, in writing, to all parties;**

45 **(5) The lender shall not call due any loan for any reason except for lack of**
46 **performance, insufficient collateral, or maturity; and**

47 **(6) A lender may review and withdraw or continue with a state guarantee on an**
48 **annual basis after the first five years following closure of the loan application if the loan**
49 **contract provides for an interest rate that does not vary. A lender shall not withdraw a**
50 **state guarantee if the loan contract provides for an interest rate that may vary, except for**
51 **reasons set forth in this section.**

52 **6. The department shall provide or renew a state guarantee to a lender if:**

53 **(1) A fee equal to twenty-five basis points on the loan is paid to the department on**
54 **an annual basis by the lender;**

55 **(2) The application provides collateral acceptable to the department that is at least**
56 **equal to the state's portion of the guarantee to be provided;**

57 **(3) The lender assumes all responsibility and costs for pursuing legal action on**
58 **collecting any loan that is delinquent or in default; and**

59 **(4) The lender is responsible for the first fifteen percent of the outstanding**
60 **principal of the note for which the state guarantee has been applied.**

61 **7. If, for any reason, the general assembly fails to make an appropriation sufficient**
62 **to meet the obligations under a state guarantee, this section shall constitute an irrevocable**
63 **and continuing appropriation of an amount necessary to secure guarantees as defaults**
64 **occur and the irrevocable and continuing authority for, and direction to, the state treasurer**
65 **to make necessary transfers to the fund created under this section out of the general**
66 **revenue fund.**

67 **8. In the event of a default by the borrower on a loan subject to a state guarantee**
68 **under this section, the lender shall be entitled to, and the department shall direct payment**
69 **on, the state guarantee after ninety days of delinquency. Payments by the department to**
70 **satisfy claims against the state guarantee shall be made, in whole or in part, from the fund**
71 **established by this section. It shall be the responsibility of the lender to proceed with**
72 **collecting and disposing of collateral on the state guarantee under this section within**
73 **fourteen months after the state guarantee is declared delinquent. If the lender does not**
74 **dispose of the collateral within that fourteen-month period, the lender shall be liable to**
75 **repay to the state interest on the state guarantee at a rate equal to the same rate that the**
76 **lender charges on the state guarantee; provided that, the department shall have the**
77 **authority to extend the fourteen-month period for a lender in the case of bankruptcy or**
78 **other extenuating circumstances. The fund created under this section shall be reimbursed**
79 **for any amounts paid under this section upon liquidation of the collateral. The department**
80 **may borrow sums from the fund to provide for repayment as soon as may be practicable**
81 **upon receipt of payments of principal and interest by a borrower on loans subject to a state**
82 **guarantee under this section. Moneys may be borrowed from the fund created under this**
83 **section by the department for the sole purpose of paying certain interest costs for**
84 **borrowers associated with selling a loan subject to a state guarantee under this section in**
85 **a secondary market, as may be deemed reasonable and necessary by the department.**

86 **9. The department may adopt rules establishing the eligibility of qualified veteran-**
87 **owned small businesses and lenders to participate in the state guarantee program and the**
88 **terms, standards, and procedures that will apply.**

89 **10. There is hereby created in the state treasury the "Veteran-Owned Small**
90 **Business Loan Fund", which shall consist of moneys collected under this section. The state**
91 **treasurer shall be custodian of the fund. In accordance with sections 30.170 and 30.180,**
92 **the state treasurer may approve disbursements. The fund shall be a dedicated fund and,**
93 **upon appropriation, moneys in the fund shall be used solely for the administration of this**
94 **section. Notwithstanding the provisions of section 33.080 to the contrary, any moneys**
95 **remaining in the fund at the end of the biennium shall not revert to the credit of the**
96 **general revenue fund. The state treasurer shall invest moneys in the fund in**
97 **the same manner as other funds are invested. Any interest and moneys earned on such**
98 **investments shall be credited to the fund.**

99 **11. Any rule or portion of a rule, as that term is defined in section 536.010, that is**
100 **created under the authority delegated in this section shall become effective only if it**
101 **complies with and is subject to all of the provisions of chapter 536 and, if applicable,**
102 **section 536.028. This section and chapter 536 are nonseverable, and if any of the powers**
103 **vested with the general assembly pursuant to chapter 536 to review, to delay the effective**
104 **date, or to disapprove and annul a rule are subsequently held unconstitutional, then the**
105 **grant of rulemaking authority and any rule proposed or adopted after August 28, 2018,**
106 **shall be invalid and void.**

107 **12. Under section 23.253 of the Missouri sunset act:**

108 **(1) The provisions of the new program authorized under this section shall**
109 **automatically sunset three years after the effective date of this section unless reauthorized**
110 **by an act of the general assembly;**

111 **(2) If such program is reauthorized, the program authorized under this section**
112 **shall automatically sunset three years after the effective date of the reauthorization of this**
113 **section; and**

114 **(3) This section shall terminate on September first of the calendar year immediately**
115 **following the calendar year in which the program authorized under this section is sunset.**

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